

Western panel tackles industry issues

***"The Control Center Consolidation demonstrates our commitment to control costs so as to keep our rates down."
—Mike Hacskaylo***

*Editor's note: Issues affecting Western was the subject of a panel discussion at the Midwest Electric Consumers Association annual meeting, Dec. 8 in Denver. In "Continuing Commitments—The WAPA Story," Administrator **Mike Hacskaylo** and five other Western senior managers addressed the issues facing Western today and what we're doing in response. This is the second piece of a three-part series that presents a summary of their comments to the nearly 400 people representing preference power customers across the Upper Great Plains and Rocky Mountain regions on these issues and their impact on the Pick-Sloan power program.*

California restructuring

Tim Meeks, Assistant Administrator for Power Marketing Liaison: "California's electric restructuring legislation, Assembly Bill 1890, created the California Independent System Operator and the Power Exchange. The ISO assumed control area operations, provides transmission control and is responsible for system reliability. California's investor-owned



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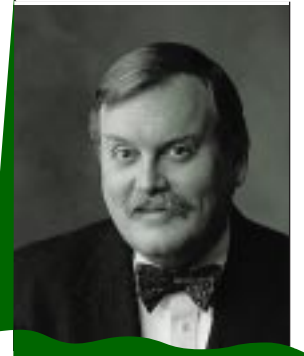
—Tim Meeks

utilities were required to join the ISO and turn over system operation to it. The ISO delivers power to 80 percent of the load in California. Public power serves the other 20 percent of the load. Of that 20 percent, Western serves one-fourth of customer load.

"ISO and PX operations are technically transparent to Western. We still schedule through PG&E, and we've worked to keep our existing contractual rights through our integration contract with PG&E. We've also taken advantage of a number of new opportunities, including providing ancillary services and providing scheduling services to some preference customers.

"But we haven't joined the ISO because it hasn't made good economic sense. The main issues for us are the economics related to the grid management charges, the expiration of our integration contract in 2004, control of CVP transmission and coordination between Western, Reclamation and the California ISO and maintaining control of our COTP and Pacific Intertie transmission rights."

Mike Hacskaylo: "The California ISO is very expensive. It would have cost us an additional \$16 million for no additional benefits to us or our customers, who would ultimately pay the cost of joining the ISO."



Arizona restructuring

Tyler Carlson, DSW regional manager: "Arizona is also restructuring. The Arizona Corporation Commission called for open retail access of 20 percent by Jan. 1, 1999. The commission also calls for full and open access by 2001. However, recent state attorney general issues and new commissioners are trying to delay restructuring until 2003.

"The Commission decided that an Independent Scheduling Administrator—an ISA—is required to ensure open competition. The affected utilities are forming this ISA. It is expected to:

- ◆ participate in determining Available Transmission Capacity, Total Transmission Capacity and Maintenance Scheduling.
- ◆ operate an overarching information system called the statewide OASIS.
- ◆ participate in scheduling transmission, view requests for transmission, update ATC and monitor release of ATC.

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- ◆ provide near real-time dispute resolution of curtailments and/or rejected requests, and facilitate longer-term dispute resolution.
- ◆ participate in the settlement/checkout process of after-the-fact energy accounting.

"The Arizona IOUs are soliciting business from residential consumers for the upcoming year. Western does not plan to join the ISA because we don't see a lot of value for the cost. In other related

events, the Nevada Commission is beginning to form a similar ISA with greatly expanded functions. This organization, in some ways, is approaching a statewide ISO."

Hacskaylo:

"Arizona's goal is an open transmission system.

Commissioners believe this is best for consumers.

But the question

remains, 'Who's going to pay the costs?'"

Desert STAR study

Carlson: "The Desert STAR study/analysis on forming an ISO in the Southwestern United States is ongoing. The study group consists of most of the regional utilities, industry groups, consumer groups and marketers in Arizona, Nevada, New Mexico and part of Texas. The remaining issues are pricing-based. They include congestion management, license-plate tariffs, how existing contracts will be handled and the associated rights and avoiding pancaking and cost-shifting. Most of the study focus is on the license-plate zones and pricing, along with the process of bidding/auctioning capacity under Desert STAR. "The proposed schedule calls for work on the major issues to be finished by Jan. 1. However, a six-month extension to the present study agreement is being sought, as it appears some of the pricing issues may have promising resolution."

WSCC security centers

Carlson: "Escalating dues within WSCC brought about discussion of consolidating the four regional Security Centers. The two smallest centers—RM, operated in Loveland by Western, and Desert Southwest, operated in Phoenix by APS, were targeted. A WSCC task force was asked to determine

if money could be saved by consolidating. The analysis showed about \$1 million in annual cost savings. The task force could not determine the impacts to reliability from consolidating. Data do not show either improvements or degradations.

"The task force recommended that if consolidation was sought to save costs, an independent panel should make the final recommendation as to the site for consolidation operations. The task force also confirmed that the optimal choices for consolidation are the two smallest Security Centers.

"Also determined at the WSCC annual meeting earlier this month, the present dues method is being changed. These changes may impact Western and our customers, who may face additional dues. The new dues structure may also change the consolidation debate as dues will be distributed to users of services and will reduce the appearance of socialization within WSCC. This change means that dues savings (for changes such as consolidation) will impact the same users—allowing those affected by the change to be the primary decision makers in the change."

Hacskaylo: "In terms of security centers and reliability, Western is involved in several efforts. On the broader question of reliability, legislation to provide national reliability standards is possible. I would expect FERC oversight to be proposed. The questions remain, 'Can reliability and markets standards co-exist? And who's going to pay for the costs?'"

Open access tariff and Standards of Conduct

Joel Bladow, RM regional manager:



"Under FERC's new rules—Orders No. 888 and 889—utilities are adopting common transmission contract terms and conditions, separating their merchant and reliability functions and establishing systems so all transmission users have equal access to the system. DOE is committed to and provided direction to the PMAs to comply with the FERC rules.

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functions and comply with the standards of conduct requirements. This involves moving people and functions within organizations, limiting access to information and, in some cases, hiring staff. Our goal is to accomplish the necessary changes at minimum cost. We've traditionally offered open access on our system, but FERC requires a formal filing.

"We are filing our Standards of Conduct with FERC this week and expect to have all the implementation steps in place in the first quarter of 1999."

Hacksaylo: "It's imperative for us to voluntarily comply with FERC. It puts us on equal footing with the FERC-regulated utilities. In the rapidly changing utility environment, playing by the same rules is as crucial as reliability and capacity."

Bladow: "In 1998, we completed work to consolidate three control areas into two. This was done to control costs. The functions done by the control center staff in Montrose were moved to our control centers in Loveland and Phoenix."

"This was a huge undertaking that started in 1996. It included: a new SCADA control system in Loveland, transferring control of generation and Arizona transmission facilities to Phoenix and transferring control of Colorado, Wyoming, New Mexico and Utah transmission to Loveland. We selected April 1 as our cutover date. Unfortunately for our Phoenix staff, which had to battle both changes, the California ISO chose the same date to come on-line."

"While we're still working out the bugs, we've cut costs, improved efficiency and reduced the burden on other utilities that operate within the region."

Hacksaylo: "The control center consolidation demonstrates our commitment to control costs so as to keep our rates down."

Ancillary services

Jerry Wegner, UGP regional manager: "Western, as a transmission provider, must offer six ancillary services. These are necessary to allow the transmission system to deliver generation resources to load."

"In the Pick-Sloan Missouri Basin Program—Eastern Division, Western provides transmission through our partnership agreements with Heartland and Basin Electric. The system, called the Integrated System, is similar to the old Joint Transmission System. Western operates the IS on behalf of the owners. IS transmission

rates are cost-based and there is no subsidy of transmission users by firm power customers. Ancillary services are also cost-based. They are not subsidized by the firm power rate.

"These six ancillary services are:

reactive supply and voltage control, which is provided by changing the generators; scheduling, system control and dispatch services; energy imbalance service, or what we used to call interchange service; regulation and frequency response; spinning reserves, or on-line but unloaded generation; and supplemental reserves, or ready reserves.

"Sale of some ancillary services may be limited by commitments we've already made to long-term firm power customers."

Hacksaylo: "Ancillary services are required by FERC and we will offer them where available."

(Note: The next Closed Circuit will feature discussions on regional issues.)

